

# **Department Of The Treasury, United States Mint – Introductory Statement Of John P. Mitchell, Acting Director Of The United States Mint, For Presentation To The House Appropriations Subcommittee On Treasury, Postal Service, And General Government – April 11, 2000**

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Mister Chairman, Congressman Hoyer, distinguished members of this committee —

Everyone at the Mint thanks this committee for opportunity to discuss the most dynamic and profitable circulating coin program in a generation. The new dollar coin released in January — the Golden Dollar — is a shining success that we never tire of discussing.

This committee knows the background of the Golden Dollar. But at appearances which support the Golden Dollar ... and throughout the Mint's far-reaching coordination ... we've been asked why Congress enacted this coin and the Mint supported it. So I would like to touch on that point merely for the record.

The perception, following the Susan B. Anthony, was that the economy didn't need a dollar coin and the American people wouldn't use one. The facts say otherwise.

In October 1994, the Federal Reserve Banks (FRBs) and the Mint held 325 million SBAs. By October 1999, inventories had dwindled to 57 million. Until 1994, Federal Reserve pay out of SBAs was 2 to 3 million coins each month. When President Clinton signed the Dollar Coin Act on December 1, 1997, FRB pay out was approaching 6 million per month, and we were projecting to run out of SBAs by August 2000. In fact, in the final months of 1999—despite being weeks away from a new Golden Dollar—demand compelled us to produce 37 million 1999–dated SBAs to assure the economy's demand for this much —sneeded coin.

Clearly—and in contradiction to conventional wisdom—a dollar coin was not merely in use, but in escalating use by the growing clientele of coin-operated businesses and postal, transit, and multi-machine vending industries. Among banks and retailers, however, memories of the Susan B. Anthony created resistance to any new dollar coin.

You easily see, Mister Chairman, that we faced problems at the start. Mechanically, we had to produce a coin that did not force massive and expensive re-tooling of coin-acceptance machinery. We were going to have to make lots of them, given usage rates for dollar coins and likelihood the first new dollars would be hoarded. The imperative was great to coordinate every aspect of production and distribution with the banking and vending industries. However, we weren't interested in producing a dollar token. The intent of the 1997 dollar coin act was to produce a circulating coin ... a coin to serve a practical, economic, and educational function. We had to make a coin the public could and wanted to use — a coin with appealing design, intellectual sweep, and emotional significance.

Assuring popularity and acceptance was crucial for a reason I repeat: reluctance of banks and cash-drawer retailers. We had to create public awareness and popular demand strong enough to pull this coin through a skeptical distribution system. And given what we knew about usage rates for dollar coins ... the novelty factor of a new dollar ... and banking-retailing resistance, we also suspected the power curve of public acceptance would get ahead of normal Federal Reserve distribution mechanisms. Early on, we began to suspect we'd benefit from retail partners with a nationwide network to keep the new coin in public hands.

The actions we took at every step of creating this coin ... preparing constituencies for it ... producing it ... and distributing it ... were focused on solving issues I've just outlined.

First—the process of selecting a distinctive, popular, compelling design.

The process by which Sacagawea was chosen and by which obverse and reverse designs were chosen is a topic on which I could speak all day, Mister Chairman, and I hope you'll ask about its specifics. But required brevity forces me to say only that no coin in the history of coinage has been a greater collaboration between a monetary authority and the populace.

Two facts prove that, Mister Chairman: after winnowing 121 submitted obverse and reverse designs and posting 13 finalists on our web site, we received 11.7 million hits the first day they were available for comment. In two weeks, we received 120,000 e-mail messages from citizens expressing opinions and preferences. Our process established a new paradigm for interaction between a federal bureau and the American people, perhaps even a new definition of American federalism.

Second—features of the coin itself and of its mass production

Legislation required the coin to be gold in color to distinguish it from quarters. However, most combinations of golden alloys gave the coin a metallic signature unrecognizable to 15 million vending machines, tool booths, and stamp dispensers. Solving the metallurgical problem was essential, and it wasn't easy. It was easier to give the coin other perceptual distinctions, such as un-reeded edges to prevent confusion with the quarter, an error of the SBA dollar.

We also had to launch and produce enough golden dollars while working day and night to meet the economy's demand for coinage and to meet customers' demand for the hottest collectible product in history — 50 State Quarters. Last year, as we prepared to inaugurate the Golden Dollar, we were working around the clock striking 20 billion circulating coins. This year, we expect to produce up to 29 billion.

A major point, Mister Chairman, is that we were able to meet this challenge because Congress granted us authority to generate our own revenues and exempted us from inefficiencies of federal procurement restraints. You granted us flexibility to think, act, and invest like a business, and — as I shall make clear in a moment — our performance results have been greater than any other agency in government can claim.

Third—pre-and-post issue coordination, marketing, and mass awareness campaigns.

Our efforts covered multiple phases and audiences. Phase one: business-to-business. When a new dollar coin was a glimmer on the horizon, we were consulting metal fabricators, vending machine operators, banks, and retail groups. We showed our desire for a coin that was usable and minimally disruptive. We participated in 28 industry conventions and conferences between April and November 1999. We held 489 meetings and appearances at promotional events. We set up a business-to-business web site that received 44,000 hits its first two weeks. We created a Business-to-Business ad campaign to make the Golden Dollar visible and to establish links to industry leaders.

Since fall, aggressive outreach to banking also has been under way. We made more than 11,000 calls to banks, credit unions, and other financial institutions making the business case for the Golden Dollar. We set up a database of 4,000 financial institutions, representing over 100,000 branches, to link us to banking constituents, to heighten banks' awareness of the Golden Dollar, and to assure smooth introduction into circulation. We sent letters to each institution in November describing our outreach and highlighting the importance of their participation. We gave materials to banks to advance awareness of the new dollar and to enable tellers to answer customers' questions. Materials include multi-lingual brochures, posters, point-of-sale tent cards, static cling cards, and camera-ready art.

Our November 18th launch in Philadelphia was the Golden Dollar's official introduction to the world ... the first day of full-scale production ... and day one of its high-profile public campaign. Early stages included appearances in the Macy's parade and exposure on programs like Wheel of Fortune, Jeopardy, and Good Morning America. We joined General Mills in January to place 2000-dated coins in 11 million boxes of Cheerios, including a Golden Dollar in every two-thousandth of those boxes. We've been told that the Cheerios campaign brought us the equivalent of 132 million advertising impressions. We joined with Wal-Mart, which agreed to dispense 94 million Golden Dollars in change through stores nationwide. Besides other benefits, the Wal-Mart collaboration was the equivalent of \$9 million in free advertising for us. Through our own web site, we made 20 million Golden Dollars available to public and businesses purchasers.

These were early efforts to create a buzz about the new coin, and, second, to encourage its use. We wanted a dollar that was in demand nationwide as a workhorse of U.S. coinage in daily routine transactions. We wanted to bring the coin to peoples' attention ... seed the Golden Dollar into commercial usage early ... and establish it as a distinctive yet normal part of commerce. We intended to create a product so well known that from the day people knew it existed they would begin to see it ... receive it from familiar merchants ... and funnel it right back into commerce.

Our production-distribution strategy had to be equal to those goals. With the experience of popular and profitable 50 State Quarters guiding us, we knew interest in this coin would prompt hoarding, complicating getting it into use. Therefore, we had to manufacture enough Golden Dollars to satisfy hoarding and mint enough to get the coin out of peoples' hands. Nor was that all. Original plans were to release the Golden Dollar January 1. Citing Y2K, the Federal Reserve and the banking system asked us to delay until March.

In December 1999, when the Mint informed the banking community about our partnership with Wal-Mart, Y2K concerns were subsiding. The banking community asked us to accelerate distribution of the Golden Dollar. That was a challenge, but we met it: on January 18th we made Golden Dollars available to the Federal Reserve, which began distribution the 27th. On the 30th Wal-Mart formally launched its campaign. Public-private joint distribution assured the coin was actively used in retail transactions nationwide, especially small-town America, which might have waited months.

In the Dollar Coin Act, P.L. 105-124, Congress tasked us to conduct marketing and public awareness to promote use of the coin. On March 6th we launched a \$40 million television, radio, print, mass transit, and Internet advertising campaign to show the Golden Dollar in everyday use. Everything thereafter has been — literally — a dollar in hand and money in the bank.

To say the least, everything has come together. Then our campaign of business-to-business co-ordination, banking outreach, public-private distribution, Internet availability, and advertising kicked in. By mid-February we were producing 5 million Golden Dollars per day. We now produce up to 6.15 million per day and approximately 37 million per week. By the end of this month, 14 weeks from when we began shipping to the FRB, we will have produced and shipped more than 500 million Golden Dollars. It took 14 years for demand to lift Susan B. Anthony demand to 500 million.

We've made extraordinary efforts to distribute the Golden Dollar to banks and businesses. The Mint and the FRB formed the Financial Institutions Advisory Council as a forum for financial trade associations concerning the Golden Dollar. Members include the American Bankers Association, America's Community Bankers, Independent Community Bankers of America, and the National Association of Federal Credit Unions. The Federal Reserve's Philadelphia Product Office is also represented. The group has met at least once a month since September 1999.

On March 1, 2000, we met community banks' requests for speedier delivery of Golden Dollars by creating a direct shipment program to augment routine Federal Reserve delivery. The program can provide banks up to 6,000 Golden Dollars in 5 to 10 days, about 25 million by its close on April 15, 2000. We extended the program at the urging of financial institutions, but participation doesn't seem to equal industry efforts and ours. We sent 33,900 letters of invitation to the head offices of 111,870 institutions. By April 3, we had orders for 9.8 million Golden Dollars from 3,695 institutions.

A good part of present demand is arising from our new radio, transit, print, Internet, and television ads, and I understand that during this hearing this committee will have a chance to see them. I am insistent on reporting that not a single tax dollar went into the ad campaign. It was paid entirely from our operating profits, and we've got 'em with this coin: 88 cents per Golden Dollar, to be exact. Shipping 37 million of Golden Dollars per week, we paid for the entire campaign in a few days. This year, we expect to produce and ship at least 1 billion Golden Dollars. At 88 cents profit per coin, Mister Chairman, that has got to be the best relationship among production-distribution cost, advertising expense, and revenue since the Pet Rock. In this situation, Mister Chairman, the American taxpayer bore none of the risk and none of the expense and will receive every penny of the financial return. As the Committee knows, the Mint recovers all operating expenses from revenues we generate, without the use of any tax revenues.

I say in closing, Mister Chairman, that a fine financial return is something the American people do indeed receive on their investment in their mint.

During the past 5 years, our revenues have grown 14 percent annually, soaring to \$2.4 billion last year, a 51 percent increase over 1998

During the past 5 years, our profits have grown 8 percent annually, reaching \$1.05 billion last year, an increase of 75 percent over 1998

Numismatic Business Unit revenues have increased 26 percent and profits 69 percent annually during the past 5 years. 1999 revenues increased 44 percent over 1998. Profits were 69 percent higher.

This year, Mister Chairman, we expect to produce up to 29 billion circulating coins, a reflection of continuing economic growth plus popularity of 50 State Quarters and projection-busting enthusiasm for Golden Dollars.

We project Fiscal Year 2000 revenues will approach 4.3 billion, and profits will approach 2.7 billion. We project that sales on our website, [www.usmint.gov](http://www.usmint.gov), already ranking in the top 25 nation-wide e-commerce sites, will approach and probably exceed 125 million in revenue. The most remarkable story of our dot-gov entry into a dot-com world is that we make a profit on internet sales, where the majority of the most recognizable dot-coms do not.

Those numbers speak for themselves, Mister Chairman, and I am happy to let them do so. Through hard work, the confidence of Congress, and an entrepreneurial spirit unique in the federal sector, the United States Mint has become the pot of Golden Dollars at the end of the federal rainbow. Thank you.

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